

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS  
OF SAN BERNARDINO COUNTY, CALIFORNIA  
AND RECORD OF ACTION**

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**June 22, 2004**

**FROM: MARK UFFER**, Interim County Administrative Officer  
County Administrative Office

**SUBJECT: ADOPTION OF THE 2004-05 COUNTY BUDGET**

**RECOMMENDATION:**

1. Approve and adopt the 2004-05 Final Budget, including recommended appropriations, budgeted staffing, and authorization for adjustments for final fund balance listed in Attachment A; recommended changes in reserves and designations as listed in Attachment B; and recommended policy items and proposed fees in Attachment C which were incorporated in the final budget
2. Authorize the Auditor/Controller-Recorder to increase 2004-05 adopted appropriations and revenues and reduce contingencies, as listed in the recommended policy items pending adoption of the State budget in Attachment D, if the State Budget adopted takes county's discretionary revenue of an amount equal to or less than the \$17.5 million as listed in the revised financing plan (Four votes required).
3. Authorize the Auditor/Controller-Recorder to increase 2004-05 adopted appropriations and revenues for the County Library, as listed in the recommended policy items pending adoption of the State budget in Attachment D, if the State Budget adopted restores the \$1.2 million in property taxes taken from the County Library (Four votes required).
4. Approve and adopt by resolution of the 2004-05 appropriation limit for county funds, special funds, and Board Governed Special Districts (Attachment F).

**BACKGROUND INFORMATION:** On March 2, 2004, the Board received the financing plan for the 2004-05 budget. That plan, built on the Governor's January proposal, provided the basis for distributing the locally financed budget targets to the general fund departments to develop their 2004-05 proposed budgets. The original plan included a 21% reduction in non-mandated local cost, however, it was later modified to reductions of 9% or 4% for general fund budget units.

Departmental budgets, based on the modified financing plan, were incorporated in a Budget Workbook that was discussed during Budget Workshops conducted May 24<sup>th</sup> through 26<sup>th</sup>, 2004. Department requests exceeding their budget targets were presented as Policy Items in the workshops. Additionally, requests for restoration of state budget impact reductions were also presented as policy items.

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On the last day of the workshop, the County Administrative Office recommended to restore some of these policy items and recommended to approve all fee requests. In addition, the Board of Supervisors requested that certain items be added to this recommended listing and requested the County Administrative Office to come back on June 8, 2004 for further discussion.

On June 8, 2004, discussion was held related to modifications to the policy item and fee request recommendations made at the May workshops. These modifications were made based on the County Administrative Office continued analysis of several departmental policy requests.

The Budget Hearing, which is designed to discuss and implement any direction or changes the Board wishes to make to this Proposed Budget, was held on June 14, 2004, and resulted in the recommendation of two additional items for incorporation in the 2004-05 Final Budget. The additions include \$200,000 of one-time funds for the Economic and Community Development budget unit for group decision-making process of the county's geographic information management system and \$1.0 million added to the existing reserve for the Museum's Hall of Paleontology.

The following schedule illustrates the available financing for the budget year 2004-05 after approval of the recommended policy items and fees listed in Attachments C and D, including the increase in reserves as listed in Attachment B. Total financing available is \$50.3 million (\$1.4 million ongoing and \$48.9 million one-time). The discretionary revenue taken by the State has been revised to reflect the impact to local funding based on the May Revise.

**REVISED FINANCING PLAN**

	<b>(In Millions)</b>	
	<b>Ongoing</b>	<b>One-time</b>
Additional Financing Available for 2004-05	54.2	70.1
Additional Cost to Maintain Current Services	<u>(38.4)</u>	<u>(14.5)</u>
2004-05 County Surplus	15.8	55.6
Set Aside for Future Retirement Costs	<u>(7.9)</u>	-
Remaining available funding	7.9	55.6
Discretionary Revenue Taken By State - Updated Per May Revise	<u>(17.5)</u>	-
Resulting 2004-05 County Deficit	(9.6)	55.6
Reduced General Fund Financing to Departments	15.7	-
Additional Pending Ongoing Revenues	1.3	-
<b>Funding Available Based on Above Adjustments</b>	<u>7.4</u>	<u>55.6</u>
Fee Requests (Attachment C)	0.3	
Policy Items Requiring One-time Local Cost or No Local Cost (Attachment C)		(5.7)
Policy Items Pending Adoption of the State Budget (Attachment D)	(6.3)	
Additional Contribution to the Museum's Hall of Paleontology Reserve (Attachment B)	<u></u>	<u>(1.0)</u>
<b>Remaining Funding Available</b>	1.4	48.9

Since the County built its 2004-05 budget based on the Governor's January Budget, significant reductions were made to address the projected \$32.7 million of county discretionary revenue taken by the State. According to the May Revise, the County's projected discretionary revenue taken by the State was reduced to \$17.5 million. Therefore, if the final budget adopted by the State includes a reduction to the County's discretionary revenue of \$17.5 million or less, the County Administrative Office will implement Recommendation 2 by providing the Auditor/Controller-Recorder with the line item detail. Additionally, if the adopted State budget restores \$1.2 million in property tax reductions to the County Library, the County Administrative Office will implement Recommendation 3 by providing the Auditor/Controller-Recorder with the line item detail.

Should the impact of the adopted State Budget be different than anticipated in the revised financing plan, the County Administrative Office will return to the Board with further recommendations.

By approving the policy items and fee requests mentioned above, there still remains a potential of layoffs equivalent to 9.5 budgeted positions based on policy items not recommended. In addition, there is a potential of 71.0 layoffs incorporated in the 2004-05 budget due to either: 1) the loss of departmental revenues such as grants or 2) insufficient departmental revenue to finance increased departmental costs.

The majority of these potential layoffs are in the Preschool Services Department (PSD). Increased costs associated with Worker's Compensation, Health Benefits and Unemployment Insurance significantly increased PSD's operating costs. Federal HeadStart and State Preschool funding have not kept pace with these increases. PSD explored all other possible options to reduce the budget deficit before considering staff reduction. Although other options were utilized, such as eliminating vacant positions in other divisions and reducing transportation expenditures, it is not enough to balance the budget. Effective July 1, 2004, 35 contract Teacher I positions, 19 non-teaching contract positions and one classified position will be eliminated. As vacancies occur, PSD will use an internal list of affected staff to fill these positions before opening recruitment. PSD has already been able to place four affected teachers into other positions.

### **ATTACHMENTS**

Enclosed are the following attachments that represent those items that are included in the 2004-05 Final Budget:

Attachment A lists the 2004-05 Final Budget appropriation and budgeted staffing totals. These totals incorporate amounts that were included in the Proposed Budget Workbook, recommended policy items and fee adjustments (Attachment C); changes in reserves (Attachment B); and Board items approved at Board meetings after the compilation of the budget workbook and other items based on the revised financing plan (Attachment E).

Attachment B is a listing of the county's current reserves and designations and the recommended changes for the establishment, expansion, or use of such reserves and designations.

Attachment C represents a summary of recommended policy items and fee adjustments requested by the respective departments, which the Board discussed during the Budget Workshops and the Budget Hearings. These policy items and fee adjustments are incorporated in the 2004-05 Final Budget, shown in Attachment A.

Attachment D represents a summary of recommended policy items requested by the departments, which the Board discussed during the Budget Workshops and the Budget Hearings. These policy items are recommended for approval pending the adoption of the State budget and its expected impacts to the county's financing plan and/or the County Library's budget.

Attachment E lists Board agenda items approved during Board meetings held after the compilation of the proposed workbooks and other items required based on the revised financing plan. All of these have been incorporated in the 2004-05 Final Budget, shown in Attachment A.

Attachment F is the 2004-05 preliminary appropriation limit for county funds, special funds, and Board governed districts.

**REVIEW BY OTHERS:** This item has been reviewed by County Counsel (Ron Reitz, County Counsel) on June 15, 2004.

**FINANCIAL IMPACT:** Of the \$50.3 million (\$1.4 million in ongoing and \$48.9 million in one-time) remaining financing available, the County Administrative Office recommends this funding be set aside at this time to address potential unfunded issues such as the actual state budget impact.

The majority of the fee changes, if approved, will be used to increase departmental appropriation. Departments anticipate their fee recommendations will increase fee revenue for the general fund departments by \$2,024,967, for the special revenue funds by \$93,400, and for the enterprise funds by \$859,383.

**SUPERVISORIAL DISTRICT(S):** All

**PRESENTER:** Mark Uffer, Interim County Administrative Officer (387-5418)